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(1) Responsibility of Kyuma for remarks critical of US Iraq policy;  
Person who undermines confidence in Japan unqualified to be defense  
minister

Commentary by Naoyuki Agawa, professor at Keio University

SANKEI (Page 11) (Excerpts)  
February 1, 2007

Defense Minister Fumio Kyuma said in a press conference at the Japan  
National Press Club on Jan. 24: "Although President Bush decided (to  
go to war) probably because he suspected Iraq might have nuclear  
weapons, I think his decision was a mistake." Kyuma also attributed  
the current confused situation in Iraq to the lack of the US

government's follow-up measures.

Even in the US, many people believe that the Bush administration fabricated nonexistent weapons of mass destruction and easily accepted less credible information. The ambiguous decision-making process regarding the Iraq war is behind the current criticism of the Bush administration's Iraq policy.

Many Japanese people who hate the use of armed force have harbored a vague anxiety about the Iraq war. Kyuma's statement represented their feelings, in a sense.

Kyuma, though, is not an academic or a commentator. The 2006 Defense White Paper specified the Japan-US security arrangement as "the bedrock of Japan's national defense policy." Criticism of the US by the top officer responsible for the nation's defense policy has a weighty meaning.

Of course, Japan does not support all US policies. In diplomatic negotiations, Japan and the US often differ with each other. However, once the US makes a decision on a key policy that does not directly involve Japan, it is a matter of courtesy for Japan, as its ally, to support the decision. That is why the Koizumi cabinet, though it had frequently urged the US to be prudent until it went to war, supported its ally's military option in Iraq in the end.

Defense Minister Kyuma's statement breaks the rules of courtesy. Any individual is free to have doubts about the Iraq war and think the war was improper. But it should be impermissible for the defense minister to publicly criticize the war in his official capacity.

When Prime Minister Koizumi was under heavy fire from China and South Korea for his visits to Yasukuni Shrine, the Bush

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administration issued no critical comments. Some US government officials reportedly viewed the prime minister's shrine visits unfavorably, but such negative views did not come to the fore.

If Defense Secretary Rumsfeld had said, "Though this is my personal view, Prime Minister Koizumi should refrain from paying homage at Yasukuni Shrine," what response would Japan have made? I think Japan-US relations would have been seriously damaged.

Kyuma made a grave remark that could undermine the current state of the Japan-US alliance relationship, when the Bush administration is having hard time in searching for a future Iraq policy. I wonder how American soldiers and their families received the Kyuma remark. Will even the Democratic Party, which is opposed to the Bush administration's Iraq policy, trust a defense minister who makes careless statements?

According to press reports, Kyuma also made a remark criticizing the response of the US to the issue of the relocation of US forces' Futenma Air Station. He said that the US does not listen to Okinawa.

Last December, Kyuma said in the Diet that Japan's support for the United States' military option in Iraq was based on Prime Minister Koizumi's personal view. Later, however, he withdrew this remark. Asked if he supported the Iraq war on that occasion, Kyuma replied: "I do not have such feelings," adding, "I thought at that time that the US decision on the Iraq war was a mistake. In my personal view, I still think so."

Kyuma made a similar statement again, probably based on his firm view about the Iraq war as a politician. In such a case, why did he receive the offer for the post of defense minister in the cabinet, which supports the Bush administration's Iraq policy? If he would like to continue to make this kind of remarks, I recommend he should step down from the cabinet.

(2) Merger examination with global share in mind: FTC sets new guidelines with focus on degree of oligopoly: Likely to encourage corporate reorganization

The Fair Trade Commission (FTC) on Jan. 31 revealed a draft plan to revise guidelines for approving corporate mergers. The new guidelines include an eased standard for screening planned mergers, prioritizing an index gauging the degree of oligopoly of an industry as a whole (Herfindahl-Hirschman Index = HHI) instead of the share of a company created as a result of the merger on the domestic market. Mergers of companies in an industry that is exposed to international cooperation will be approved even if a domestic share of a company created as a result of a merger becomes outstanding, by taking into account the HHI of the global market.

The FTC yesterday presented new draft guidelines at a Liberal Democratic Party (LDP) committee meeting. The draft was approved and will be adopted as early as April.

The present guidelines set strict conditions, such as that mergers can only be approved with almost no screening if a merged company's domestic market share is 25 percent or lower. Under the new guidelines, which abandon the use of the so-called market share

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standard, a decision will be made, based on the HHI.

Products with high internationality

In addition, depending on types of industries, overseas markets will be taken into consideration in determining HHI. Currently HHI is worked out, based on the domestic market, in principle. For products that are exposed to international competition, the global market is taken into consideration in determining the degree of oligopoly. If a product is competing in the Asian region, then the HHI of that product's industry is worked out, based on the Asian market.

The FTC will judge whether the industry in question has internationality or not. Products that can be easily traded in many countries due to low transportation cost and low tariff barriers or products with high substitutability can be regarded as having an international nature. Semi-conductors and liquid crystal will likely be regarded as products traded on the global market. Steel will be regarded as products on the Asian market.

Then, it will be determined that in an industry where the degree of oligopoly of 5-10 higher-ranked companies is low, there will be no problem for higher-ranked companies to amalgamate. Even in an industry where high degree of oligopoly exists, a company with a low share can be merged with almost no examination.

Stricter screening will be made for a merger of fairly large company in an industry with a high HHI. However, the market share standard will also be applied under new guidelines as a standard for determining whether to apply simplified examination to planned mergers that are regarded as posing few problems. The condition for approval in such a case is that a share of a company resulting from a merger is 35 percent or lower. Overseas markets will be taken into account in applying this standard. Conditions for determining the HHI itself will also be eased.

If draft revisions were applied to 178 mergers over the past five years, cases that do not require screening would increase from three to 54. If cases that require only simplified examination were included, the number would expand from 48 to 84.

For instance, in the case of the domestic liquid crystal TV market, Sharp, the largest company in the industry, commands a 47 percent share. The HHI of five higher-ranked companies comes to 2900. It would therefore be difficult to approve Sharp's merger with another company. However, if liquid crystal televisions are recognized as an international commodity, then, it would be easier to approve its merger, because Sharp's share on the global market is 20 percent and the HHI of five higher-ranked companies in the industry comes down to 929.

Technical innovation to be taken into account

The new guidelines will take improvement of productivity and technical innovation as a result of a merger into consideration. If planned mergers lead to consumer benefits with the mergers promoting large-scale R&D contributing to a drop in the prices of products or if mergers would bring about new markets due to development of new products, then applications for such mergers will be granted even if the share and HHI of a company created as a result of the merger exceed the set ceiling.

However, a proposal made by the Ministry of Economy, Trade and

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Industry (METI) for raising the share standard from 35 percent or lower to 50 percent or lower has been dropped. The adoption of the new guidelines is not a major deregulation for companies based on the domestic market. Some take the view that overseas markets have already been taken into account for some of international commodities. As such, to what extent corporate reorganization will advance under the new guidelines is unclear.

Industrial circles give certain scores to new guidelines as expanding range of options

Industrial circles have generally given high scores to the new guidelines with Takehiro Fukuda, general director of the treasury section of Elpida Memory, saying, "We appreciate the expanded range of options for corporate reorganization." Corporate M&As likely will pick up further speed, spurred by the removal of a ban on triangular mergers, which will make it easier for foreign companies to take over Japanese companies.

The yardstick for gauging competitiveness in the chip industry is not a domestic share but a global share. The combined share of Renaissance Technology and NEC Electronics on the microcomputer market tops 60 percent, but it comes down to only about 30 PERCENT on the global market. Amid the falling prices and growing international competition, there is the possibility of the new guidelines spurring the reorganization of the domestic semi-conductor industry.

The beer industry pins hopes on the adoption of the new guidelines with Senior Managing Director Kazuhiro Sato of Kirin Brewery noting, "The revised guidelines will lead to prompt management decisions enhancing corporate competitiveness. The industry circles take the view that the new guidelines will encourage corporate reorganization and provide companies with an opportunity for looking into an even more efficient management environment."

Global reorganization is under way in the steel industry. Chances are that the Asian market as a whole instead of the domestic market will be taken into account in judging whether to approve planned mergers in the steel industry.

An executive of a leading steel company said, "We welcome the FTC judges whether to approve a merger application, based on a larger market." However, Japan imports only a small amount of hot coils used for a wide range of purposes, such as autos. Shares of Japanese companies in the Asian market are also high. As such, the new guidelines will not immediately spark reorganization in the steel industry.

In the meantime, the impact of the new guidelines on areas that are not exposed to international competition is limited. A mood for seeking corporate reorganization is mounting in the paper industry. However, since the industry is based on the domestic market, its response is no more than that they want to pin down the details of the new guidelines.

M&As between Japanese companies last year marked a record high of 2,760, up 1 percent from the preceding year, or 15 trillion yen in monetary terms, a jump of 30 percent. The application of the new guidelines and the lifting of the ban on triangular mergers are bound to raise a corporate desire for reorganization.

(3) Repercussions of Yanagisawa's comment referring to women as

"baby-bearing machines"; Can he escape from attack?

TOKYO SHIMBUN (Page 24) (Full)  
January 31, 2007

Health, Labor and Welfare Minister Hakuo Yanagisawa apologized yesterday for his calling women "baby-making machines." However, repercussions from his discriminatory remark continue to spread, as seen in one citizens' group visiting the Health, Labor and Welfare Ministry to lodge a protest. A look at the past shows there were too many discriminatory remarks by politicians to mention. Will Yanagisawa be able to escape from the barrage of criticism?

Yanagisawa stated in a speech delivered on Jan. 27 in Matsue City:

"The number of women aged 15 to 50 is fixed. Since the number of baby-bearing machines and devices are fixed, I think all we can ask is for each of them to do her best."

On Jan. 29 female Diet members belonging to the main opposition party Minshuto (Democratic Party of Japan), the Japanese Communist Party (JCP), and the Social Democratic Party (SDP), handed Yanagisawa a letter calling on him to resign. On Jan. 30 several civic organizations, including the I Women's Conference (Ai Jyosei Kaigi), called at the welfare ministry to submit a letter calling on Yanagisawa to withdraw his remarks, as well as to step down from his post. The letter stated:

"(Yanagisawa's comment) is associated with the past population policy of giving birth to children to increase the nation's population; but he also meant that he is trying to shift the responsibility for the low birthrate to women. He has ignored women's rights."

Before submitting the letter to the ministry, various civic groups protested outside the Health, Labor and Welfare Ministry, taking turns. Demonstrators wore masks of Prime Minister Shinzo Abe and Yanagisawa and conducted a mock performance of tossing about female mannequins, ordering them to: "Make babies!"

Sumiko Shimizu, standing advisor to the I Women's Conference, pointed out:

"At the United Nations International Conference on Population and Development (ICPD), the reproductive right of women is not controlled by their countries. How then he can make such remarks?"

She continued:

"There are many women who want to have two or more children, but the employment system and housing situation do not allow them to do so. The low birthrate is because public policy is insufficient; it is not because women don't want to give birth."

Another civic group member lamented:

"I was just recently told by a person who was urged to quit her job when she told the company of her pregnancy, even nine months were left until her contract expired. I can't believe that the health, labor and welfare minister, who should be cracking down on the many companies that lack morals, made remarks indicating that women are responsible for the low birthrate. Providing a promising livelihood for women would be one measure to counter the falling birthrate."

One demonstrator said:

"When the HIV-tainted-blood scandal came up, Mr. Yanagisawa made efforts to resolve the issue positively although he was in the ruling camp. We are shocked because that such a politician made such a remark."

Politicians have repeatedly made remarks discriminating women and racial discrimination statements.

In 1983 when (then) Prime Minister Yasuhiro Nakasone visited Hiroshima, he told atomic-bomb victims: "Worry often brings on illness." This is a notoriously discriminatory comment, which has been talked about by human rights organizations and other organizations.

Regarding the intellectual level of American people, Nakasone remarked in 1986: "Since there are many African-Americans and people coming from Puerto Rico and Mexico in the US, the intellectual level is extremely low."

(The late) Deputy Prime Minister Michio Watanabe stated in 1988: "Even if African-Americans are bankrupt, they say 'I don't have to pay, for there always is a tomorrow.' They don't care." In 2003 then Prime Minister Yoshiro Mori's statement is well known: "It is strange that women having only one child after enjoying their lives say that the nation should take care of them when they get old with taxpayers' money."

With politicians repeatedly saying that there was no malicious intent, the media usually got tired of criticizing and the matter was settled. This pattern has been repeated. Yoko Sakamoto, representative of the civil law reform information network, said:

"In the past, there were politicians who lost their posts because of their controversial comments. Recently politicians do not resign their posts. The day is gone that politician's remarks are called into serious question."  
Percent

(4) Abe administration experiences three uproars involving cabinet ministers in only four months

TOKYO SHIMBUN (Page 2) (Abridged)  
February 1, 2007

Although only four months have passed since the Abe administration was inaugurated, it has experienced a number of scandals involving cabinet ministers.

On Jan. 27, Health, Labor and Welfare Minister Hakuo Yanagisawa made a remark comparing women to baby-bearing machines. This remark did not create a great uproar immediately, but on the morning of Jan. 29, the contents of Yanagisawa's controversial remark were reported widely, upsetting the public. At almost the same time, Prime Minister Abe tried to calm down the situation with "a reprimand," and this approach only added fuel to the fire of public indignation.

Given this, the object of their anger was directed at Yanagisawa as well as the prime minister.

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When scandals involving Masaaki Honma, who then chaired the government's Tax Commission; and Genichiro Sata, who was state minister in charge of administrative reform, came to light, the prime minister said, "I want you to continue to carry out your duty," and "I want you to give an explanation to the people." With such a stance, the prime minister gave the impression that he was being lenient to his aides.

In actuality, however, the prime minister was very upset by the Yanagisawa remark. Abe shouted at Yanagisawa in admonishing him on the phone. But such anger of the prime minister has not been transmitted to the public.

It remains to be seen whether the prime minister will protect Yanagisawa to the last or decide to dismiss him under pressure from the ruling camp and the public.

If Abe protects Yanagisawa to the last, he will continue to be

exposed to public criticism, but even if the prime minister dismisses Yanagisawa, he will be criticized as taking an "irresolute attitude."

The Yanagisawa problem is the most troublesome problem among the scandals reported so far. Popularity rates of the Abe administration have dropped to 40 percent, with loss of support coming from women. But the Yanagisawa remark would further bring down the current support rates.

What is worse, deliberations on the FY2007 budget bill are about to start. Attention is being paid to what cabinet ministers say. The Yanagisawa gaffe could not come at a worse time.

SCHIEFFER